



Annual Report 1973 · H.Paulin & Co., Limited

DIRECTORS

* Louis S. Brody, Toronto
Ayton G. Keyes, Ottawa
* Arthur Paulin, Toronto
Harry Paulin, Toronto
Stanley F. Paulin, Toronto
* Vincent P. Reid, Q.C., Toronto
Sydney L. Robins, Q.C., Toronto

OFFICERS

Harry Paulin
Arthur Paulin
Stanley F. Paulin
Joyce Mair

HEAD OFFICE

AUDITORS

LEGAL COUNSEL

TRANSFER AGENT AND REGISTRAR

SHARES LISTED

Retired Executive
President, Keyes Investments Limited
H. Paulin & Co. Limited
H. Paulin & Co. Limited
H. Paulin & Co. Limited
Director, Cochran Murray Limited
Partner, Robins and Robins
*Member of the Audit Committee

Chairman of the Board
President
Vice-President, Secretary
Treasurer

55 Milne Ave., Scarborough, Ont.
Touche Ross & Co., Toronto, Ont.
Robins and Robins, Toronto, Ont.
Canada Trust Company,
Toronto, Vancouver, Edmonton
and Winnipeg

The Toronto Stock Exchange



Annual report 1973 • H. Paulin & Co., Limited

Financial Highlights	1973	1972
Sales	\$11,798,521	\$10,236,510
Net Profit	\$ 756,947	\$ 653,857
*Earnings per Share	\$.72	\$.62
Dividend Paid	\$ 105,000	\$ —
*Dividend per Share	\$.10	—
*Shareholder's Equity per Share	\$ 4.81	\$ 4.21
Working Capital	\$ 4,114,334	\$ 3,783,677

*Based on 1,050,000 shares outstanding

Harry Paulin
Chairman of the Board



Arthur Paulin
President



Stanley F. Paulin
Vice-President, Secretary



To our Shareholders

I am pleased to report to you that 1973 was again a record year for sales and earnings for your Company. Our sales increased by 15% to \$11,798,521 and net earnings advanced by 16% to \$756,947 over 1972.

In December, 1973, "Paulin" paid its first Dividend made up of 7½ cents ordinary and 2½ cents extra per common share.

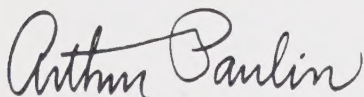
Capital Metal Industries Limited, which was a wholly owned subsidiary, was merged with the parent Company on December 28th, 1973. Significant economies are expected from this change which also reflects the increasing importance of the production division of the Company.

To facilitate our sales growth, there were major additions to our equipment and factory space. In 1973, capital equipment expenditures amounted to \$510,000 and our planned equipment purchases for 1974 are \$650,000.

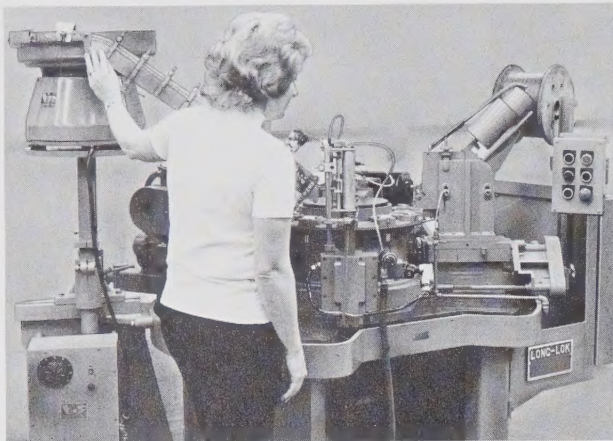
We find that changing economic conditions make it necessary to rely on our own production for continued growth. Shortages of both finished products and raw material became evident in the last quarter of 1973 and are expected to continue throughout 1974. We are experiencing great difficulty in obtaining our full requirements of steel rod, wire and other commodities. Your management faces a formidable task in maintaining satisfactory profit margins in 1974 by reason of the unprecedented rise in our costs.

We are sure that demand for our products in 1974 will remain strong from all of our markets both Domestic and Export. We will endeavour to utilize our available resources in a manner that will be most profitable for the Company not only for the present, but also for the long term.

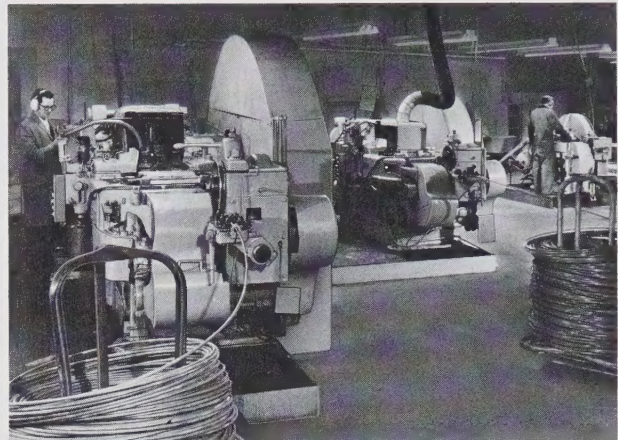
On behalf of the Board of Directors, I am pleased to present to you the financial statements for the year ended December 31, 1973.

A handwritten signature in cursive script that reads "Arthur Paulin". The signature is written in dark ink and is positioned above the date.

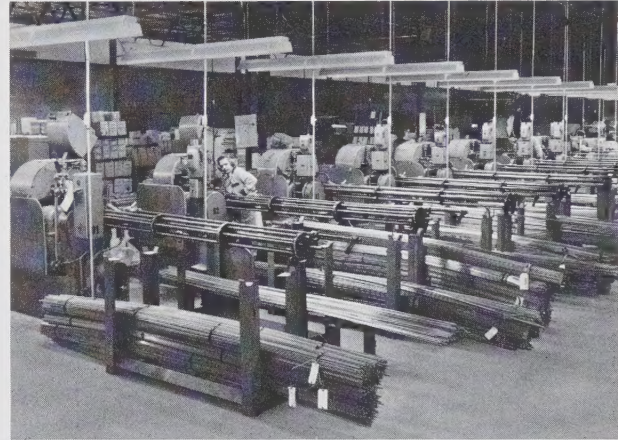
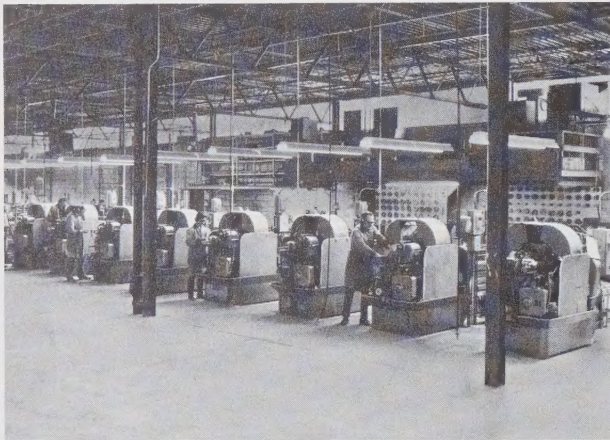
May 7, 1974.



Long-Lok Hi-pro fastener unit



New High-Speed Boltmakers



Automatic Screw Machine Department

Operations

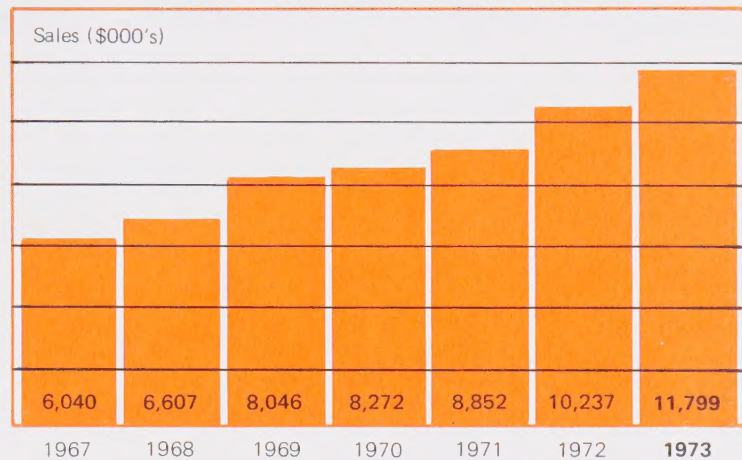
Our program of expansion and modernization of our manufacturing facilities was maintained in 1973. Three Boltmakers, capable of producing a completed Hexagon Head Cap Screw with each stroke of the machine were installed in our Scarborough plant. The introduction of a group of in-line wire drawers has resulted in economies in the use of steel rod and also improved our raw material inventory utilization. New programmed parts cleaning and finishing equipment has resulted in better quality and higher output in that department.

In the latter part of the year, we moved our Automatic Screw Machine department to a new 15,000 sq. ft. building. Additional multi- and single-spindle screw machines were installed and this has doubled our production capacity. The Long-Lok Division which processes self-locking screws commenced the manufacture of nylon insert lock-nuts. A battery of automatic lock-nut machines is now operating in this plant. Our Production Control, Engineering, Purchasing and Costing Departments occupied modern offices in a part of the 18,000 foot plant addition that was completed during the year. The improved materials handling and warehousing facilities in this addition helped achieve the increased output recorded in 1973.

Orders have been placed for high-speed equipment for a complete Cold Nut Forming department. These machines will be installed during 1974 and will make us self-sufficient in this important commodity.

Marketing

The high level of industrial activity in North America helped the Company achieve record sales in 1973, and to continue the uninterrupted growth pattern of the past seven years.



Automotive aftermarket

The Canadian automotive aftermarket recorded a sales increase of 18% in 1973. There are now over 9,000,000 vehicles in Canada that require fasteners and replacement parts for repair and maintenance. Our "Papco" line continues to enjoy wide acceptance by distributors and their customers. The aftermarket represents an important growth area for the Company and efforts to increase our share of this market are being pursued.

Industrial and hardware distributors

Our large inventories and warehouse stocks at Vancouver, Edmonton, Winnipeg and Montreal enabled us to handle the increased business from this group of customers. We participated in the growth experienced by our customers in the hardware and building supply trade as well as at the industrial level.

Fluid system components

The year 1973 saw a doubling of the price of brass rod, the basic material used in the production of our fittings. Our sales were maintained despite the pricing pressures and the many shortages. The demand from our plumbing, heating and industrial markets remains strong. Our enlarged production facilities and our new warehouse should enable this division to further expand in 1974.

Other markets

Sales to manufacturers of automotive and other vehicles, appliances, electrical and building products increased satisfactorily during the year. The marketing effort in stainless and non-ferrous fasteners and in construction fasteners resulted in substantial orders and these products are showing further growth in 1974.

Outlook

Since the latter part of 1973, demand for the Company's products has exceeded the available supply. Our steel supplies are being allocated by the mills based on previous consumption. We expect some additional quantities late in 1974 and that further improvements in steel availability will occur in 1975. Meanwhile our capital expansion program is continuing and, contingent on the raw material situation, we should be in a favourable position to increase our gains of 1973.



H. Paulin & Co., Limited and its wholly-owned subsidiaries
(Incorporated under the Laws of Ontario)

Consolidated balance sheet · December 31, 1973 (with comparative figures for 1972)

	ASSETS	
	1973	1972
Current		
Cash	\$ —	\$ 32,241
Accounts receivable	2,090,111	1,599,848
Inventory at the lower of cost and net realizable value	4,200,469	3,084,093
Income taxes recoverable	12,160	—
Sundry assets and prepaid expenses	<u>96,381</u>	<u>60,175</u>
	6,399,121	4,776,357
Plant equipment, office fixtures, vehicles and leasehold improvements at cost less accumulated depreciation and amortization of \$1,095,272 (1972; \$1,026,782)	1,112,264	775,000
	<u>\$7,511,385</u>	<u>\$5,551,357</u>

On behalf of the Board

Arthur Paulin
Director

Stanley F. Paulin
Director

- 1972)

LIABILITIES		1973	1972
Current			
Bank indebtedness — secured		\$1,270,268	\$ —
Accounts payable and accrued liabilities		1,014,519	784,502
Income taxes		—	208,178
		<u>2,284,787</u>	<u>992,680</u>
Deferred income taxes		173,380	133,843
		<u>2,458,167</u>	<u>1,126,523</u>

SHAREHOLDERS' EQUITY			
Capital stock (Note 2)			
Common shares			
Authorized — 2,000,000 common shares without par value			
Issued and fully paid — 1,050,000 shares (1972; 1,050,000)		1,016,188	1,016,188
Retained earnings		4,037,030	3,408,646
		<u>5,053,218</u>	<u>4,424,834</u>
		<u>\$7,511,385</u>	<u>\$5,551,357</u>



H. Paulin & Co., Limited and its wholly-owned subsidiaries

Consolidated statement of income and retained earnings

for the year ended December 31, 1973

(with comparative figures for 1972)

	1973	1972
Sales	\$11,798,521	\$10,236,510
Income from operations before the following charges	\$ 3,246,242	\$ 2,983,053
Selling, general and administrative expenses	1,652,147	1,534,957
Depreciation and amortization	172,521	132,471
Interest	38,791	35,768
	1,863,459	1,703,196
Income before taxes	1,382,783	1,279,857
Taxes on income	625,836	626,000
Net income	756,947	653,857
Retained earnings, January 1	3,408,646	2,754,789
	4,165,593	3,408,646
Payment of tax under Section 196 (1) of the Income Tax Act	23,563	—
Divident paid	105,000	—
Retained earnings, December 31	\$ 4,037,030	\$ 3,408,646
Earnings per share	\$0.72	\$0.62
Dividend per share	\$0.10	Nil

Consolidated statement of source and application of funds

for the year ended December 31, 1973

(with comparative figures for 1972)

	1973	1972
Source of funds		
From operations		
Net income	\$ 756,947	\$ 653,857
Charges not requiring an outlay of funds		
Depreciation and amortization	172,521	132,471
Deferred taxes	39,537	49,000
	<u>969,005</u>	<u>835,328</u>
Proceeds on issuance of shares	—	589,688
	<u>969,005</u>	<u>1,425,016</u>
Application of funds		
Acquisition of fixed assets — net	509,785	215,967
Reduction in loans — net	—	158,863
Dividend paid	105,000	—
Payment of tax under Section 196 (1) of the Income Tax Act	23,563	—
	<u>638,348</u>	<u>374,830</u>
Increase in working capital	330,657	1,050,186
Working capital, January 1	3,783,677	2,733,491
Working capital, December 31	<u>\$4,114,334</u>	<u>\$3,783,677</u>



H. Paulin & Co., Limited and its wholly-owned subsidiaries

Notes to the consolidated financial statements • December 31, 1973

1. Principles of consolidation.

The consolidated financial statements include the accounts of H. Paulin & Co., Limited and all its subsidiaries.

2. Capital stock.

The Company established a Share Purchase Plan during 1972. Under the Plan, as at December 31, 1973, 15,930 shares (1972; 22,735 shares) were allotted to employees at \$4.25 per share. The purchase price for these shares is paid on an instalment basis by payroll deductions and no shares are issued prior to payment in full.

Under a proposed Stock Option Plan, 34,070 shares (1972; 27,265 shares) were reserved in 1973. No options have been granted under this plan.

3. Remuneration of directors and senior officers of the Company for the year ended December 31, 1973 was \$195,938 (1972; \$173,967).

4. Lease obligations.

Annual rentals payable under long-term leases which expire at various dates up to 1989 are approximately \$170,000.

Auditors' report

The Shareholders,
H. Paulin & Co., Limited.

We have examined the consolidated balance sheet of H. Paulin & Co., Limited and its subsidiaries as at December 31, 1973 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations and the source and applications of their funds for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
March 12, 1974.

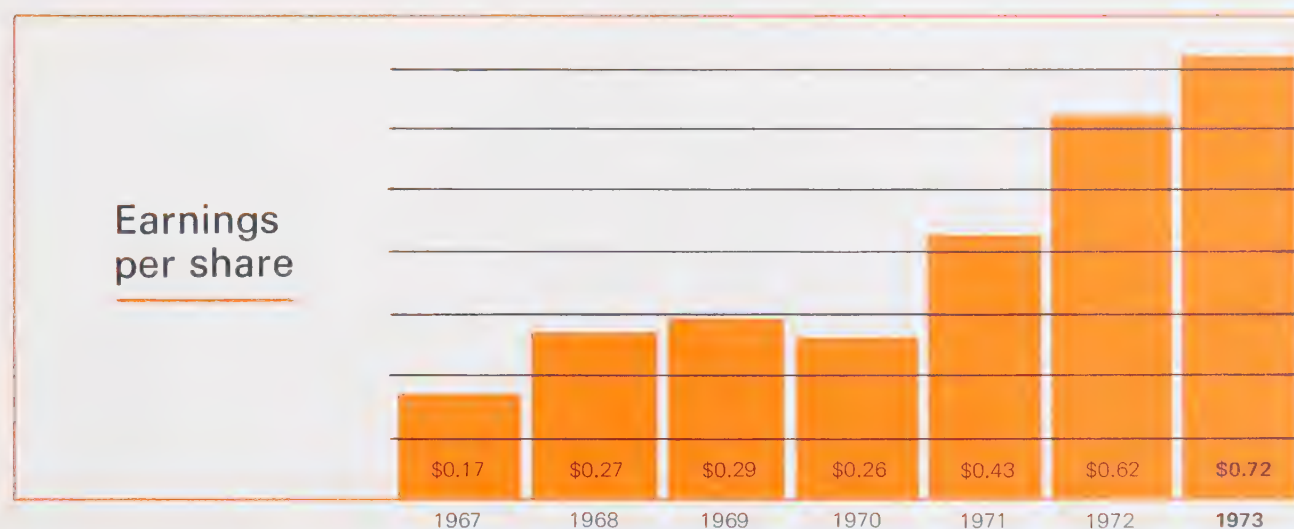
Touche Ross & Co.

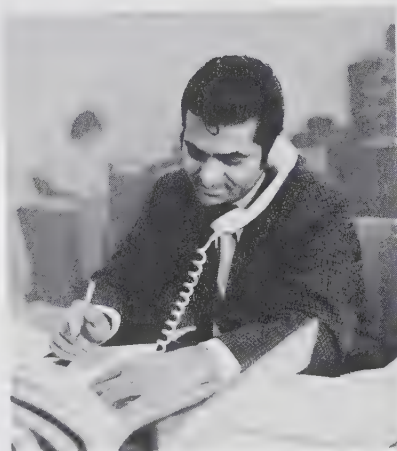
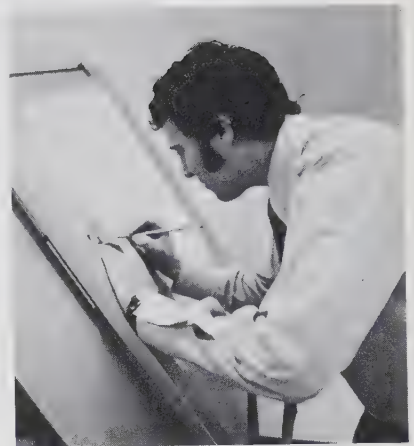
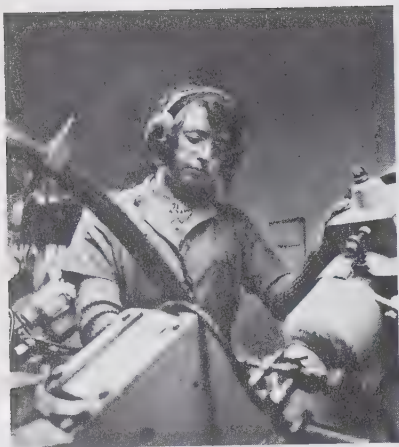
Touche Ross & Co.
Chartered Accountants

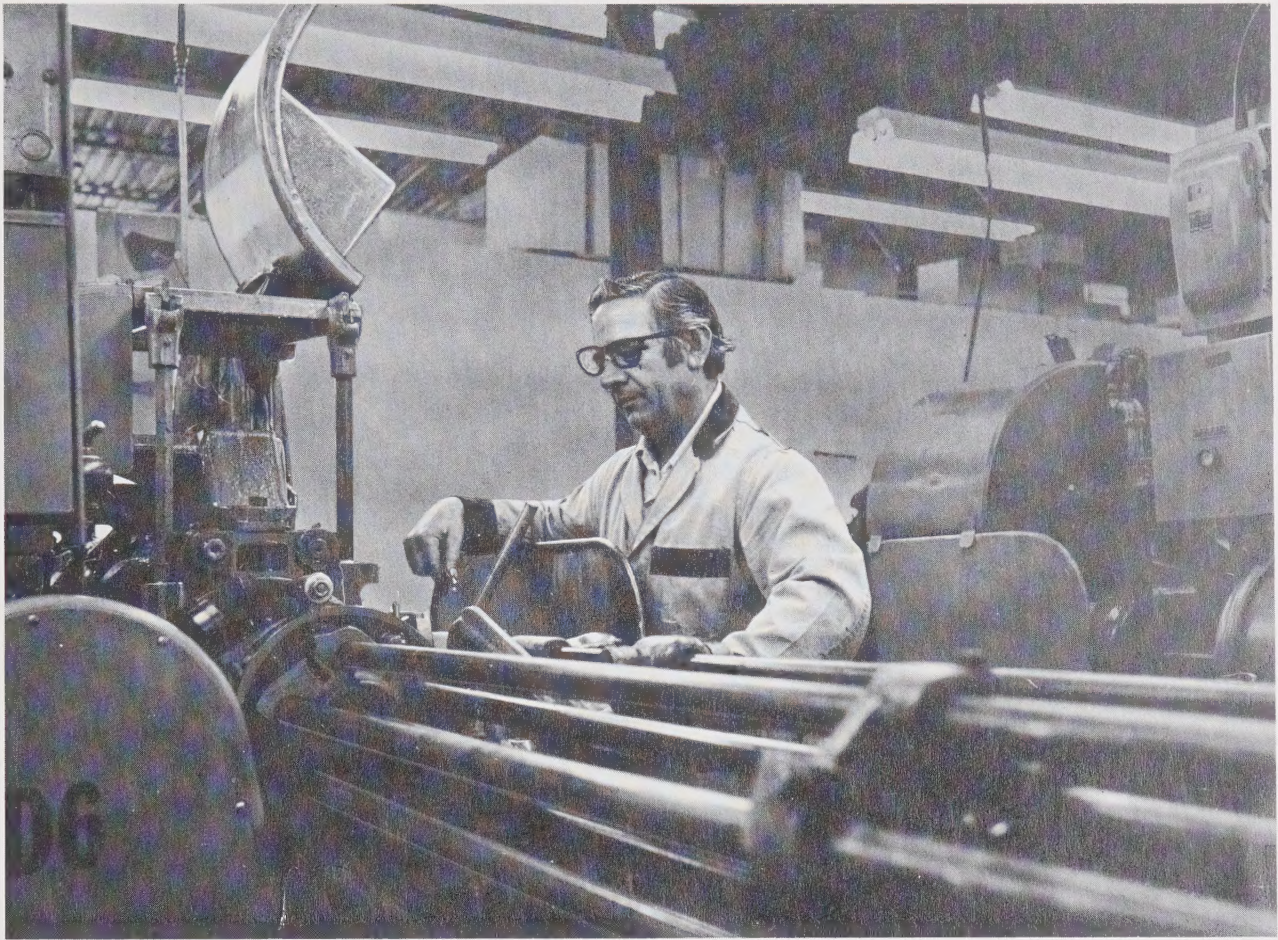
Seven year statistical summary • Years ending December 31, 1967 – 1973

Dollars in thousands except as indicated†	1967	1968	1969	1970	1971	1972	1973
Sales	\$6,040	6,607	8,046	8,272	8,852	10,237	11,799
Depreciation	\$ 78	84	94	96	118	132	173
Income Taxes	\$ 214	311	371	306	455	626	626
Net Income	\$ 178	285	308	276	454	654	757
Earnings per Share*†	\$ 0.17	0.27	0.29	0.26	0.43	0.62	0.72
Net Income % of Sales	2.9	4.3	3.8	3.3	5.1	6.4	6.4
Additions to Fixed Assets	\$ 12	101	193	260	223	216	510
Working Capital	\$1,412	1,941	2,156	2,432	2,733	3,784	4,114
Shareholders' Equity	\$1,892	2,153	2,452	2,728	3,181	4,424	5,053
Return on Equity %	9.9	14.1	13.4	10.7	15.4	17.2	16.0

*Based on 1,050,000 shares outstanding as at December 31, 1973.







Paulin - and its people

In every department of our business — production, merchandising, warehousing, engineering, sales, purchasing, administration — the element that makes us more than just another producer of good fasteners is our people.

The Company is fortunate in having a capable and dedicated staff of men and women who are making such an important contribution to its success.

We would like to take this opportunity to express our appreciation to our employees and to assure them that we realize our future growth depends on their efforts.

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H. Paulin & Co., Limited

INTERIM REPORT
TO SHAREHOLDERS

SIX MONTHS ENDED JUNE 30, 1973



TO OUR SHAREHOLDERS:

H. Paulin & Co., Limited and its wholly-owned subsidiaries

We are pleased to advise that our interim statement indicates after-tax profits for the six months ended June 30, 1973 of \$388,851 or 37 cents per common share. This compares with \$290,424 or 28 cents per share for the same period in 1972 and represents an increase of 32%.

Sales volume at \$6,048,791 is 14.5% ahead of the \$5,280,236 sales for the six months ended June 30, 1972.

In order to provide increased manufacturing and warehouse space for our Fluid Fittings Division, we have leased a 16,000 square foot building near our main plant in Scarborough. These enlarged facilities will be in operation in September.

We welcome the new Federal tax laws which provide for reduced income tax and accelerated depreciation allowances. To date this year, we have purchased \$330,000 worth of capital equipment and we plan to order additional machinery that will qualify under the act. This equipment will improve our competitive position in Bolt Products and will increase our capacity in our Fittings Division.

Despite material shortages that exist at present, we are confident that new records in sales and earnings will be established in 1973.

August 8, 1973

ARTHUR PAULIN
President

CONSOLIDATED STATEMENT OF INCOME (unaudited)
Six Months ended June 30, 1973 with 1972 comparisons

	1973	1972
Sales	\$ 6,048,791	\$ 5,280,236
Income from operations before the undernoted	858,004	628,490
Depreciation and amortization	70,144	55,754
Interest on long term debt	-	8,809
	70,144	64,563
Income from operations	787,860	563,927
Taxes on income	399,009	273,505
Net income	\$ 388,851	\$ 290,422
Earnings per share (1,050,000 shares)	37¢	28¢

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS (unaudited)
Six Months ended June 30, 1973 with 1972 comparisons

	1973	1972
Source of funds:		
From operations	\$ 388,851	\$ 290,422
Net income	70,144	55,754
Add depreciation	458,995	346,176
Issue of 150,000 shares	-	589,688
	\$ 458,995	\$ 935,864
Use of funds:		
Additions to fixed assets	218,972	61,030
Repayment of long term debt	-	219,120
Financing and issue expenses	-	21,452
	218,972	301,602
Increase in working capital	240,023	634,262
	\$ 458,995	\$ 935,864